

STEPHEN R. HARRIS, ESQ.  
**Nevada Bar No. 001463**  
CHRIS D. NICHOLS, ESQ.  
**Nevada Bar No. 003123**  
BELDING, HARRIS & PETRONI, LTD.  
417 West Plumb Lane  
Reno, Nevada 89509  
Telephone: (775) 786-7600  
Facsimile: (775) 786-7764

Attorneys for Debtor and  
Debtor-in-Possession

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF NEVADA

\* \* \* \* \*

IN RE:

Case No. 09-54485  
(Chapter 11)

SKYE INTERNATIONAL, INC.  
a Nevada corporation,

**APPLICATION FOR ORDER  
AUTHORIZING DEBTOR TO  
EMPLOY ATTORNEY FOR  
SPECIAL PURPOSE (11 U.S.C.  
§327(e)) [DILL, DILL, CARR,  
STONBRAKER & HUTCHINGS]**

Debtor.

Hrg. DATE: 12-21-09  
Hrg. TIME: 11:00 a.m.  
Est Time: 10 mins  
Set by: Pursuant to Ex Parte  
Motion for Order to Hear First Day  
Motions on Shortened Time

***TO: The Honorable Gregg W. Zive, United States Bankruptcy Judge***

COMES NOW SKYE INTERNATIONAL, INC., a Nevada corporation, Debtor  
and Debtor-In-Possession herein ("Debtor"), by and through its attorney of record,  
STEPHEN R. HARRIS, ESQ., and CHRIS D. NICHOLS, ESQ., of BELDING, HARRIS &  
PETRONI, LTD. and file its APPLICATION FOR ORDER AUTHORIZING DEBTOR TO  
EMPLOY ATTORNEY FOR SPECIAL PURPOSE (11 U.S.C. §327(e)) [DILL, DILL,  
CARR, STONBRAKER & HUTCHINGS], and alleges as follows:

1           1.       A Voluntary Petition for Relief under Chapter 11 of the United States  
2 Bankruptcy Code was filed by the Debtor on December 16, 2009. The Debtor is a  
3 designer and manufacturer of electric tankless water heaters which provided significant  
4 energy efficiency, cost-savings and water-savings to millions of customers in this country.  
5 Debtor distributes its products widely throughout the United States primarily through the  
6 wholesale distribution channel. Recent distribution channels currently being tested  
7 include door-to-door direct, as well as sales to plumbers and consumers directly through  
8 the internet  
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10           2.       STEPHEN R. HARRIS, ESQ., and CHRIS D. NICHOLS, ESQ., of  
11 BELDING, HARRIS & PETRONI, LTD., were appointed pending the general bankruptcy  
12 counsel for the Debtor.  
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14           3.       Debtor continues to conduct its business in a Debtor-In-Possession  
15 status.  
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17           4.       Debtor is a publicly traded entity traded over the counter with a stock  
18 trading symbol of SKYI. The Debtor requires the appointment of additional special  
19 securities counsel in connection with matters arising under state and federal securities  
20 laws, corporate governance matters arising under Federal and Nevada law, and other  
21 related matters as may be required from time to time.

22           5.       Pursuant to the provisions contained in 11 U.S.C. Sections 327(e) and  
23 1107(b), the Debtor hereby applies to the Court to appoint FAY M. MATSUKAGE, ESQ.,  
24 and her law firm DILL, DILL, CARR, STONBRAKER & HUTCHINGS, to act as special  
25 counsel to represent the Debtor's interests, as more specifically set forth in Paragraph 4  
26 above. The appointment of FAY M. MATSUKAGE, ESQ., and her law firm DILL, DILL,  
27 CARR, STONBRAKER & HUTCHINGS, to represent the Debtor in this case is in  
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1 Debtor's best interests and would be the most efficient manner of proceeding for the  
2 bankrupt estate.

3           6.       The consideration agreed to be paid to FAY M. MATSUKAGE, ESQ.,  
4 and the members of her law firm DILL, DILL, CARR, STONBRAKER & HUTCHINGS,  
5 subject to the approval of the United States Bankruptcy Court, is to employ the attorneys  
6 under a general retainer based on time and standard billable charges in effect on the  
7 date services are provided. The law firm shall be paid for its normal actual time charges  
8 and disbursements. The Debtor has agreed that FAY M. MATSUKAGE, ESQ., and all  
9 members of her law firm who subsequently are admitted to practice in this case, shall be  
10 compensated for services at their current standard hourly rates. The professional time of  
11 attorneys and legal assistants will be taken into account at scheduled hourly rates based  
12 on the nature of the matter, years of experience, specialization, and level of professional  
13 attainment of attorneys and legal assistants assigned to the various matters. The present  
14 hourly rate for Partners is \$375.00 per hour; for Associates is \$200.00-\$250.00 per hour;  
15 and administrative staff is billed at \$100 per hour. DILL, DILL, CARR, STONBRAKER &  
16 HUTCHINGS's engagement letter is attached hereto as **Exhibit "A"** and incorporated  
17 herein by reference. The fees also include charges for reasonable and necessary third-  
18 party and staff services employed in the course of the representation, such as long  
19 distance telephone calls, postage, messenger service, photocopying, filing fees, travel,  
20 and computerized legal research. These are separately itemized on the law firm's  
21 statements based on the services involved and out-of-pocket disbursements incurred.  
22 These are the customary rates charged by said law firm. Finally, this basis of  
23 compensation is authorized pursuant to Sections 328(a) and 331 of the Bankruptcy  
24 Code.  
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1           7.       FAY M. MATSUKAGE, ESQ., has indicated her willingness to act on  
2       behalf of the Debtor, and to be compensated in accordance with the terms and conditions  
3       set forth in Paragraphs 5 and 6 herein. To the best of Debtor's knowledge, FAY M.  
4       MATSUKAGE, ESQ., and her law firm DILL, DILL, CARR, STONBRAKER &  
5       HUTCHINGS, do not have any connection with the Debtor's other attorneys or  
6       accountants, which would or could affect the scope of retention agreed upon hereon, and  
7       no connection to any person in the office of the United States Trustee, and represent no  
8       interest adverse to the estate in matters upon which she is to be retained. FAY M.  
9       MATSUKAGE, ESQ., and her law firm DILL, DILL, CARR, STONBRAKER &  
10      HUTCHINGS, have represented the Debtor as to securities matters since March 5, 2008,  
11      and there is an outstanding pre-petition balance of \$8,691.00. Based on the education  
12      and prior legal experience of FAY M. MATSUKAGE, ESQ., and members of her law firm  
13      DILL, DILL, CARR, STONBRAKER & HUTCHINGS, the Debtor believes her employment  
14      is in the best interests of the estate and that her education and experience will save the  
15      estate considerable expense.

16                **WHEREFORE**, the Debtor requests the entry of an order authorizing the  
17      employment and retention of FAY M. MATSUKAGE, ESQ., and her law firm DILL, DILL,  
18      CARR, STONBRAKER & HUTCHINGS, as the Debtor's attorney for special purpose,  
19      pursuant to the terms and conditions recited above, to represent the Debtor as set forth

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1 herein, and for such other and further relief as the Court deems just under the  
2 circumstances.

3 DATED this 16<sup>th</sup> day of December, 2009.

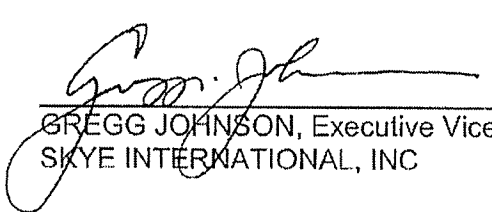
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5 STEPHEN R. HARRIS, ESQ.  
6 CHRIS D. NICHOLS, ESQ.  
7 BELDING, HARRIS & PETRONI, LTD.  
8 417 W. Plumb Lane  
9 Reno, NV 89509

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13 ATTORNEY FOR DEBTOR  
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VERIFICATION

I, GREGG JOHNSON, Executive Vice-President of the Debtor SKYE INTERNATIONAL, INC., a Nevada corporation, declare under penalty of perjury that I have read the foregoing APPLICATION FOR ORDER AUTHORIZING DEBTOR TO EMPLOY ATTORNEY FOR SPECIAL PURPOSE (11 U.S.C. §327(e)) [DILL, DILL, CARR, STONBRAKER & HUTCHINGS], and that the contents contained therein are true and correct to the best of my knowledge, information and belief.

DATED this 15<sup>th</sup> day of December, 2009.

  
GREGG JOHNSON, Executive Vice-President  
SKYE INTERNATIONAL, INC

**EXHIBIT “A”**

**EXHIBIT “A”**



DILL DILL CARR STONBRAKER & HUTCHINGS, PC

DIRECT DIAL: (303) 282-4105

E-MAIL: [fmm@dillanddill.com](mailto:fmm@dillanddill.com)

455 Sherman St., Suite 300  
Denver, Colorado 80203  
303-777-3737  
303-777-3823 FAX  
[www.dillanddill.com](http://www.dillanddill.com)

March 5, 2008

Skye International, Inc.  
7701 E. Gray Road, Suite 4  
Scottsdale, AZ 85260

Gentlemen:

This is to confirm that you have asked this firm to represent Skye International, Inc., a Nevada corporation, in connection with matters arising under state and federal securities laws, corporate governance matters arising under Nevada law, and other matters as may be requested from time to time. If you would like to proceed, please review and sign the following fee agreement and return it to our offices by facsimile, with the original to follow by mail.

1. Scope of Representation. Our firm agrees to represent Skye International, Inc. (the "Client") in connection with matters arising under state and federal securities laws, corporate governance matters arising under Nevada law, and other matters as may be requested from time to time.
2. Retainer Fee. Our firm shall require a retainer in the amount of \$10,000, \$5,000 of which shall be applied to payment of the first monthly billings. We reserve the right to require additional retainer amounts as necessary. The firm expects that its statements will be paid upon presentation. Unless we advise you otherwise, the remaining \$5,000 of the retainer will not be applied to these periodic billings. Even though a retainer is outstanding, we expect you to pay for services rendered as reflected by the periodic billings every month in full.
3. Hourly Rate - Legal Fees. Associate time will be billed to you at the hourly rate of \$200 to \$250, with partner time billed at \$375 per hour, paralegal and administrative staff fees will be billed to you at the rate of \$100 per hour. Edgar conversion and SEC filing services will be billed to you at the rate of \$100 per hour. We reserve the right to increase our hourly rates.

Christopher W. Carr  
Daniel W. Carr  
John J. Coates  
Kevin M. Coates  
H. Alan Dill  
Robert A. Dill  
Thomas M. Dunn  
John A. Hutchings  
Stephen M. Lee  
Fay M. Matsukage\*  
Robert S. McCormack  
Bruce D. Pringle  
Dean M. Smurthwaite  
Adam P. Stapen  
Jon Stonbraker  
Patrick D. Tooley  
\*Also licensed in Nevada  
Leonard N. Waldbaum  
of Counsel



Skye International, Inc.  
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4. Costs and Expenses. Costs and expenses are in addition to attorneys' fees and include such items as filing fees, fax charges, expedited mailing or messenger service, etc.
5. Interest on Monies Owed. You agree that our firm may charge and collect interest at the rate of 18% per year (1.5% per month) on all monies due and owing to Dill Dill Carr Stonbraker & Hutchings, P.C. for more than thirty (30) days. This includes fees, costs, and expenses.
6. Collection. If it is necessary to institute a collection action to enforce this agreement, costs of collection, including reasonable attorneys' fees, will be payable to Dill Dill Carr Stonbraker & Hutchings, P.C. in addition to all amounts for fees, costs, and expenses previously described.
7. Right to Terminate Agreement. You have the right to terminate this agreement at any time. If you do so, any portion of monies advanced to me or our firm, for costs or for fees, which have not been earned or expended, will be refunded to you.
8. The Firm's Right to Terminate Agreement. Our firm may terminate this agreement if (1) fees, costs, and expenses are not timely paid or (2) termination is warranted by law or is appropriate under the Colorado Rules of Professional Conduct.
9. File Retention Policy. When our engagement in this matter ends, we will return to you at your request (preferably written) all materials you provided to us during the course of the representation. You agree that we have the right to make copies of any and all documents generated or received by us from any source during the course of representation of you.

You also agree that any materials in the file left with us after the engagement ends may be retained or destroyed, at our discretion, unless we hear from you otherwise within six (6) months from the date you receive our final bill on the matter for which we provided representation. When you request information from us that is maintained in your file, the cost of transmitting original documents to you and/or the cost of providing you with copies of other documents will be charged to you.

When the matter for which we have provided representation is concluded, we will contact you and request that you make arrangements for the return of any information you provided or that we created during the course of the representation. You will be sent a final bill at the conclusion of the matter, which will be accompanied by a notice regarding your obligations with respect to the file. You will have approximately six (6) months to pick up original documents or property belonging to you or to provide us with written instructions on what you want done with them.

Skye International, Inc.  
March 5, 2008  
Page 3

After any such documents have been provided to you, we will retain the balance of your file for an appropriate period of time consistent with our File Retention Policy.

It is your responsibility to secure the return of any documents or property in the file. If arrangements are not made for the return of any documents in your file within seven (7) years following the conclusion of your matter, and there is otherwise no action on the file, the file will be destroyed as provided for in our File Retention Policy.

During the course of the representation, we may generate certain records related to the matter that will be retained by us (as opposed to being sent to you) or destroyed. These documents include, for example, firm administrative records, time and expense reports, personnel and staffing materials, credit and account records, and internal lawyers' work product (such as drafts, notes, internal memoranda, legal research, and factual research, including investigative reports prepared by or for the internal use of lawyers on the case or in the firm). For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any documents or other materials that belong to us within a reasonable time after our final bill for the matter is sent to you.

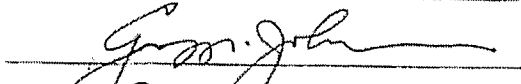
If you are in agreement with this fee arrangement, please sign the bottom of this letter and return it to our offices.

Very truly yours,



Fay M. Matsukage

THE ABOVE AND FOREGOING FEE ARRANGEMENT IS ACCEPTED BY SKYE INTERNATIONAL, INC. ON THIS 7<sup>th</sup> DAY OF MARCH, 2008.

  
Name: Gregg C. Johnson

Title: Exec VP + COO